

## **MEDICALLY NEEDEY (SPENDDOWN) PROGRAM**

The Medicaid program provides medical assistance for certain groups of needy individuals. It is administered under Title XIX of the Social Security Act, which was enacted to enable states to provide a more effective medical assistance program to recipients of money payments and to extend these benefits to additional persons with low income or high medical costs.

Tennessee offers both categorical and medically needy assistance to individuals. Tennessee was one of the states that implemented the Medically Needy (spenddown) program that extends coverage to individuals who are technically eligible for Medicaid but their income is over the Medically Needy Income Standard (MNIS).

The legal base for the Medically Needy program can be found in the Federal regulations under 42 CFR 435.831 and State rule 1240-3-3-. 06.

To qualify under the Medically Needy program, an individual must first meet the technical requirements for Medicaid:

- A U. S. citizen or an alien admitted for permanent residence or permanently residing in the U.S. under color of law (including any alien lawfully present in the U.S. under section 203(a)(7) or 212(d)(5) of the Immigration and Nationality Act.
- A resident of Tennessee with an established residence in this state and an intent to remain in Tennessee
- Age 65 or older, blind, and/or disabled (Disability is determined under Social Security guidelines)
- Under age 21 or caretaker of a child deprived of parental support
- Enumeration – have a valid social security number or filed an application for a number

## **SPENDDOWN PROCESSING**

Individuals whose net income exceeds the MNIS may spenddown the excess income with incurred medical expenses. Effective 7/1/1991, Medicaid began determining “Spenddown” eligibility on a monthly basis. According to Medicaid policy, allowable medical expenses are deducted from the monthly excess income in Medically Needy cases only to determine the spenddown eligibility. The allowable medical expenses include **expenses that are incurred at any time that are unpaid** (such as: doctors/hospital bills, bills from lab fees, etc....) and for which the individual must still pay. Also allowed are **expenses paid or incurred during the spenddown month** (such as: eyeglasses, prescription drugs, hearing and walking aids).

The spenddown period is one month, and eligibility is determined monthly. Once Medicaid approves spenddown coverage for one month, TennCare continues the coverage for 12 months. ***Eligibility begins the date that medical expenses equal the excess income during the month, or the date of application, whichever is later.*** The TennCare Hotline can verify eligibility dates for providers and recipients. Their toll free number is 1-800-669-1851. Providers can also subscribe to an online service with the Bureau of TennCare for verification of eligibility dates.

## I. Financial Requirements

Individuals applying for spenddown must be within the resource limits for their family size. The resource limit for one person is \$2000, for two persons is \$3000, and for each additional family member above 2 persons, add \$100. Resources are assets, such as savings accounts, certificates of deposit, cash value of life insurance, etc. Once an individual/family is within the resource limit, budgeting procedures can begin for Medicaid spenddown.

## II. Budgeting

The individual/family gross income is tested against the MNIS. If the individual/family income is under the MNIS, the family is exceptionally eligible and no other budgeting steps are necessary. Listed below is the MNIS up to a family size of three:

### MNIS

- 1 person is \$241
- 2 persons is \$258
- 3 persons is \$317

If the individual/family gross income is over the MNIS, certain deductions are allowed to reduce the income. Allowable medical deductions are those incurred for medical or remedial purposes.

Example: Aged person lives alone. The only income is Social Security of \$950 per month.

Gross income:	\$ 950.00
Medicare premium	-58.70
MNIS for 1	<u>-241.00</u>
	\$ 650.30 medical bills needed to meet spenddown

Client applies on March 10, 2003. Her spenddown amount is \$650.30.

- On March 12<sup>th</sup>, she incurs a bill for eyeglasses (not a Medicaid covered expense) for \$150. This is not enough to meet the spenddown amount of \$650.30, but can be used towards meeting it.
- On March 13<sup>th</sup>, she purchases medication in the amount of \$100. This bill can also be used towards the spenddown liability, but total bills still do not meet the spenddown amount of \$650.30.
- On March 14<sup>th</sup>, she provides pharmacy expenses of \$510 that were either charged or purchased that day. This additional amount exceeds the spenddown amount needed, so Medicaid eligibility will begin on March 14, 2003; the day spenddown is met.

Since the pharmacy expenses on March 14<sup>th</sup> were incurred the very day spenddown was met, those allowed by the MCO (or Consultec for Medicare eligibles) are covered and the pharmacist may bill the MCO. Any expenses incurred prior to the day spenddown is met, i.e. Medicaid begin date, will not be paid by TennCare. If the applicant never provides sufficient medical expenses to meet the spenddown, then no coverage is authorized.

Currently, once the spenddown is met, the eligible individual has twelve months of Medicaid/TennCare coverage. In the example above, the individual would have coverage from March 14, 2003 to March 13, 2004.

### III. ALLOWABLE MEDICAL EXPENSES

Allowable medical expenses include those expenses that are incurred at any time that are **unpaid** for which the individual is still responsible and those **paid** or incurred during the spenddown month and that are:

- For medical and remedial care; or
- Recognized under State law, but not covered under the State's Medicaid plan; or
- Covered under Medicaid but incurred during a period when the client did not receive Medicaid or TennCare; or
- Health insurance premiums, co-payments, and deductibles.

Medical expenses that can be used to meet a spenddown include, but are not limited to:

- **Doctor's Fees** – provision of medical services.
- **Prescription Drugs** - medicines and drugs prescribed by a doctor.
- **Guide Dogs** - guide dogs for the blind or deaf and the costs of their maintenance are allowable medical expenses.
- **Hospital Charges** - hospital services, therapy, nursing services, laboratory, surgical, obstetrical, and diagnostic services.
- **Prosthetic devices** - artificial teeth, limbs, eyeglasses, hearing aids and component parts and crutches.
- **Psychiatric Care** - psychiatric care primarily for alleviating a mental illness or defect; the cost of maintaining a mentally ill individual at a specially equipped medical center where the individual receives continual medical care.
- **Special Education for Handicapped** - special residential schools for the mentally or physically handicapped. For example, the cost of sending a blind child to a school to learn Braille, or a deaf child to a school for sign language training.
- **Special Equipment** - special equipment, such as motorized wheelchair or an automobile especially equipped for use by a handicapped person.
- **Substance Abuse Treatment** - treatment at a therapeutic center for drug addicts or alcoholics, including meals and lodging furnished as necessary.
- **Transportation** - transportation essential to medical care. For example: bus, taxi, train, or plane fares, and a designated amount (based on state travel reimbursement rates) per mile when the client's car is used to obtain medical services, in addition to parking fees.
- **Over-the-Counter Medicine** - non-prescription medicine such as cold, pain remedies, vitamins, etc. up to \$10 a month.

Medical expenses used to spenddown the excess income are subject to limitations:

- **If a bill has been written off by a provider as not being collectible and the applicant is no longer responsible for payment, then the bill cannot be used as a deduction.**
  - Unpaid bills: it doesn't matter how old the bill is as long as the applicant has responsibility for paying the bill.  
**NOTE:** even though an old bill may be used as a spenddown deduction, only bills incurred on or after the begin date of eligibility have the possibility of being paid by TennCare.
  - We cannot use an expense that is subject to third party payments.
  - If an unpaid bill has been used to meet spenddown during a previous time, it cannot be used again, even if it is still owed.
- ***Bills paid in one month that are sufficient to meet spenddown can consist of:***
  - All expenses listed under allowable medical expenses; or
  - medical and/or remedial expenses charged on a credit card in month of application or month spenddown is met; or
  - money loaned to you to pay on medical and/or remedial expenses (applicant is required to present the medical receipt to verify proof of purchase and a statement or signed contract to verify expectant repayment of loan).